

VZCZCXRO0212
RR RUEHLN RUEHSK RUEHVK RUEHYG
DE RUEHDBU #0474/01 1051026
ZNR UUUUU ZZH
R 151026Z APR 09
FM AMEMBASSY DUSHANBE
TO RUEHC/SECSTATE WASHDC 0231
INFO RUEHDBU/AMEMBASSY DUSHANBE 0437
RUCNCIS/CIS COLLECTIVE
RUEHBUL/AMEMBASSY KABUL 0079

UNCLAS SECTION 01 OF 02 DUSHANBE 000474

SENSITIVE
SIPDIS

DEPT FOR SCA/CEN
ASHGABAT PASS BOUCHER

E.O. 12958: N/A
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SUBJECT: TAJIKISTAN: UPDATE ON POWER PROJECTS

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¶1. (U) Summary: The power situation in Tajikistan has eased since the winter crunch. Water levels at the Nurek hydropower station remain low, although this spring's abundant rains may help. The fourth and final generator of Russian-built Sangtuda-1 is expected to go online in mid-May. Iranian-built Sangtuda-2 is not expected to be completed until the 2010 or ¶2011. The government's priority remains the enormous Roghun project, although no firm schedule for completion is in sight. There are several plans to build new transmission plans to link Tajikistan with regional energy partners. The largest of these may be endangered by reduced donor funding due to the financial crisis. End summary.

Nurek

¶2. (U) The Nurek hydropower station continues to be the mainstay of Tajikistan's domestic energy production, accounting for three-quarters of the country's 4,700 Megawatt (MW) capacity. Due to last year's drought, for the first time in Nurek's 37-year history its reservoir did not fill to capacity, which meant less energy for the lean winter months. While this spring's rainy weather has been a good omen for both agriculture and energy, the Nurek reservoir has so far risen only 1.2 meters over its low point and is almost 53 meters below full. The major project this year for Nurek is a \$54.77 million upgrade, financed by the Asian Development Bank, of the station's aging electrical switch yard, which is located on subsiding ground.

Sangtuda-1

¶3. (U) The Sangtuda-1 hydropower station, financed and built by Russian energy giant RAO UES, is scheduled for completion on May 15, when Presidents Rahmon and Medvedev will attend an official opening ceremony. Already, three of the station's four generators are operating. Once the fourth is completed, Sangtuda-1 is expected to generate 670 MW of electricity. Last winter, the partially-completed Sangtuda-1 was able to pick up some of the slack from underperforming Nurek. Russia retains a 75% share in the power station.

¶4. (U) On March 27, Sangtuda-1 became the subject of some controversy when workers declared a one-day strike to demand four months of back wages. Managers at Sangtuda said they could not pay the wages because Tajikistan's state-held power company Barqi Tojik had yet to pay a \$10 million debt to the power station. A week later Barqi Tojik announced that it was paying 2 million somoni (\$520,000) to Sangtuda, part of which was to be used to pay worker salaries.

Sangtuda-2

15. (U) The Sangtuda-2 hydropower station, located 25 kilometers from Sangtuda-1, is being built by the Iranian firm Sangob, with major financing from the Iranian government. It was initially slated to be online by 2011, but Tajik authorities have asked the Iranians to complete it a year earlier. Construction on the station, which will contain two generators, began in February 2006. The estimated cost of constructing Sangtuda-2 is \$220 million, including a \$180 million preferential loan from Iran (ten years at 5% annual interest) and \$40 million in Tajik government financing. As of March 2009 about \$90 million had been spent on construction.

Roghun

16. (U) Tajikistan's largest energy project under construction remains the Roghun hydropower station, situated upstream from Nurek, which is expected to generate 3,600 MW, almost doubling the country's current capacity. Roghun is under the supervision of the Presidential Administration rather than the Ministry of Energy and Industry. The project was launched in the 1970s, but lay idle for many years due to lack of financing and civil strife. Construction restarted last year, and the government expects to begin raising the dam in late 2009. It has earmarked \$150 million for the project this year. The first two generating units of the station are supposed to begin operations in three or four years, theoretically providing revenue to pay for further construction of the dam.

17. (U) Uzbekistan has strongly opposed construction of Roghun, saying it will reduce downstream water supplies; Tajikistan presses ahead with the project regardless. The World Bank is funding a feasibility study of Roghun which will take into account the water needs of downstream countries. Recently the

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UNDP representative in Dushanbe, and the EU's Special Representative for Central Asia have called for more attention to small and medium hydropower projects, saying Roghun is too expensive, too large, and too controversial to be built any time soon, and Tajikistan needs more practical ways to escape its chronic energy crisis.

Transmission Lines

18. (U) Key to Tajikistan's energy future is not just increasing its generation capacity, but augmenting its ability to offset seasonal energy imbalances by trading power with neighboring countries. In November 2007 the Central Asia/South Asia Regional Electricity Market (CASAREM) agreement was signed to implement a \$500 million power transmission line connecting Central Asia with South Asia. In its first stage, the so-called CASA-1000 project would transfer around 1,300 MW of electricity from Tajikistan and Kyrgyzstan to Pakistan and Afghanistan. CASAREM, the secretariat of which is based in Kabul, was supposed to receive 40% of its funding from the World Bank, 40% from the Asian Development Bank (ADB), and 20% from the Islamic Development Bank (IDB). In February of 2009, however, the ADB notified the Tajik Government that it was suspending its contribution to the project due to a decline in available funding brought on by the world financial crisis. The World Bank and the IDB have not yet revealed their plans. The ADB says it is ready to resume negotiations on CASA-1000, provided that the Tajik government is prepared to discuss prioritizing the project with the other partners -- Afghanistan, Pakistan, and Kyrgyzstan.

19. (U) There are other, smaller transmission projects in the works. In August 2008, under the Power Purchase Agreement signed between Tajikistan and Afghanistan, electricity will be transmitted from Sangtuda-1 to Pul-e Khumri in Afghanistan, via a 220 kV line. The ADB is funding construction of this project with a \$50 million loan. Construction of the 120-kilometer line

is supposed to start this autumn and finish in spring 2010. In addition, the Iranian government is funding a feasibility study for a 500 kV line from Sangtuda to Kunduz, Mazar-i-Sharif, Herat, and Meshhed.

¶10. (SBU) Comment: Tajikistan is still a considerable distance from solving its chronic seasonal energy shortages. The government remains fixated on big-ticket construction programs, particularly the extravagant Roghun project. In fact, however, Tajikistan may be better served by focusing on expanding its regional energy trading. In that way, it can use its already appreciable summer power surplus to trade for much needed electricity in the winter. End comment.

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